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WORLD CHRONICLE

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GUEST: **MAHBUB UL-HAQ**
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United Nations Development Programme

JOURNALISTS: Paul Lewis, *The New York Times*
Victoria Graham, Associated Press
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HUMAN DEVELOPMENT REPORT

Mahbub Ul-Haq, Special Advisor to the Administrator of the United Nations Development Programme (UNDP), discusses the 1993 Human Development Report. He stresses the fact that in the post-cold war era unemployment is spreading worldwide poverty and is a threat to prosperity everywhere. Mr. Haq believes that at least 20 per cent of total aid to developing countries should be allocated to human priority concerns such as education and social conditions, and points out that many countries are still discriminating against women in terms of equal pay for equal work.

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ANNOUNCER: From United Nations Headquarters in New York, this is WORLD CHRONICLE, an unedited interview programme about major global issues. Here now to introduce our guest is the host of today's WORLD CHRONICLE.

LITTLEJOHNS: I'm Michael Littlejohns, and this is WORLD CHRONICLE.

The 1980s were a decade of historic political, economic and social changes, through which many parts of the world have continued to suffer from faltering economic growth, increasing unemployment, rising ethnic tensions and civil strife, threats to the environment and the persistence of abject poverty. A recent report published for the United Nations Development Programme, or UNDP, calls for new models of sustainable development to create an enabling environment for the full use of human capabilities.

Our guest today is the chief architect of the Human Development Report. He is Mahbub Ul-Haq, Special Advisor to the Administrator of the United Nations Development Programme. A former Minister of Planning and Finance in his native Pakistan, Mr. Haq will be interviewed here at United Nations Headquarters in New York by Paul Lewis of *The New York Times*, Victoria Graham of The Associated Press, and Thalif Deen of Inter Press Service.

Before we talk with Mr. Haq, let's look at one example of the impact of post-cold war changes on the Russian economy. Our correspondent Steve Whitehouse reports.

NARRATION:

It's early morning in a Moscow train station and Major Berevetchy starts his daily rounds. With a squad of militia, he picks up people sleeping rough in railway and subway stations and takes them to a homeless centre. But in recent months the task has become overwhelming, and the centre is too small to handle the hundreds of cases that come in.

MAJOR BEREVETCHY: (In Russian)

"Before, only former prisoners used to live here in the station. These days, a lot of pensioners and jobless are looking for means of employment, and they too come to the stations in search of a piece of bread and of a way to support themselves."

READEX
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NARRATION:
Scenes like these have become all too common in the former Soviet Union. Beggars roam the streets, pensioners do whatever they can to survive, and the shock therapy applied to modernise an inefficient economy is already causing mass unemployment. According to the International Labour Organisation, as many as 15 million people could be out of work by the end of this year.

GUY STANDING:
"The big change that is taking place now is that the factories are moving from a situation of a quasi-labour shortage -- which wasn't really a labour shortage -- but from a perception of labour shortage to a perception of labour surplus. And you will go around many factories and see management now preparing for vast numbers of layoffs."

NARRATION:
Newly free to seek or switch jobs, Russians are turning to a handful of freshly established private employment agencies. TRIZA, the biggest of them, interviews some 200 job seekers each day. Ileana wants to work as a model. Her husband, Vladimir, a dropout from a military academy, is keen to work as a bodyguard.

Communist ideology may hold little mass appeal these days in Russia, but it was under communist banners that thousands of angry workers protested during the May Day parade. As unemployment bites and real wages fall, there's concern that without adequate social protection people may lose faith in the reform process. For Russian reformers time might be running out.

LITTLEJOHNS: Mr. Haq, the cover of the Human Development Report tells the story, I believe. Here we have a line going up, which is growth and the economy, and here is the line for employment, which is much more subdued. Why is that? What's going on?

HAQ: I think it dramatically illustrates a very disturbing phenomenon -- jobless growth. Output is increasing in many countries, but jobs are not. In fact, in the last 15 years in France, in Germany and in the UK, output more than doubled while jobs stagnated or went down. The same is happening in the United States. In the last year and a half, economic recovery has started. If the past patterns were there, there would have been 4 million new jobs, but there are hardly any new jobs. There's unemployment of seven per cent -- and averages conceal a lot of social distress. There's unemployment

of 14 per cent among blacks, 12 per cent among Hispanics, 19 per cent among teenagers, among educated people.

And what is our response? Why is this happening? It is because machines are taking over from human beings. How do we reverse that trend? Invest in people, in the training, in the new technologies. Japan has done it, industrializing "Tigers" in East Asia have done it. Their unemployment has been less than 2 per cent in the last 15 years.

LITTLEJOHNS: But there's a huge debate in the United States about the validity of those arguments. Are you saying that President Clinton is right and the critics of his job creation programmes are wrong?

HAQ: I think President Clinton is absolutely right. The markets are not creating enough jobs. There has been a theology in the past that markets can take care of it by themselves. But I've seen the results. During this period, unemployment has increased, both in industrial countries and particularly in developing countries. These are countries who have a labour surplus. There should be technologies, not imported blindly from the west, adapted to their requirements, and a price system that gives advantage to their labour. And yet we find machines are replacing human beings even in developing countries, and we have unemployment levels of 15 to 20 per cent. That spells trouble -- political, economic and social -- in all these countries, unless we go back to job creation as a number one priority so that people can participate in economic growth.

LITTLEJOHNS: Mr. Haq, you mentioned Japan. The growth in Japan has been matched by rising employment?

HAQ: Growth in Japan definitely has been matched by rising employment. In fact, in the last --

LITTLEJOHNS: Rising employment.

HAQ: Rising employment. In the last two decades, the unemployment rate in Japan has normally been below 3 per cent, which is a part of a structural change all the time. But they have invested very liberally in future technologies, in the training of their workers. In fact, Japanese society prepares itself for the next decade before the current decade is over. They are always ahead of events.

LEWIS: So when your report first came out, you published an Index of Human Freedom, and this showed that developing countries were less free than developed

countries. And developing countries all objected to this and made an awful lot of fuss about it, and now, so far as I can see, the Index has disappeared. Why?

LEWIS: We do not have a formal index because we found that it was counterproductive -- the debate between developed and developing countries about ranking of countries precisely on the basis of freedom. But freedom itself has not disappeared from the Report. It is a part of the dialogue -- a participation of people in economic life, or political life, or community life. In fact, the whole Report is about people participation. And that implies freedom to do so. I think the debate went into the wrong channels -- whether it can be precisely calculated, whether the methodology is right, whether the country ranking is right, whether it should be used for conditionality of aid. And unfortunately it became so acrimonious, so counter-productive, that it was taking attention away from the major messages of the Report. So we dropped the Index, but we have not dropped the discussion about freedom, whether economic democracy or political democracy.

GRAHAM: Could you tell us a little bit more about the Index? We understand that it's been dropped for various reasons, and some of the objections at the time were that some of the standards were inappropriate, and it seemed that developing countries largely objected. Has there been any thought given to revising this, to finding different criteria that everyone could agree upon? Because certainly you've said that human freedom and an index of liberties is part of this formulation of human development. Is there any other way to look at it?

HAQ: Let me say two things. First, yes, we have given in the last report a new methodology for calculating the Freedom Index on the basis of certain criteria which we hope are universally acceptable -- political participation, personal freedoms, freedom of the press, freedom of the judiciary, and so on. I think what needs to be done is that all over the world -- in academic institutions, in universities, in various organizations -- work should be done in documenting various indicators of freedom, and maybe finally an index can emerge. Secondly, let me say this: that right away you know that while this Report is about so many major issues which concern people's participation -- in markets, in NGOs, in governments, in employment -- we are discussing freedom again, just the Index. And that was our feeling, that the Index is taking attention away from the very major messages of the report, and that's why we felt it should be done outside of UNDP.

DEEN: Mr. Haq, in practically all of your reports you've been asking both developed and developing countries to reduce military spending and to divert resources

from the military to human development. And I see in the present report you say that the world has made a very good start in the aftermath of the cold war, and that global military expenditures have declined by about $240 billion. But both Russia and the Western Powers are now dumping all their surplus weapons in third world nations. The United States, for example, has given about 760 tanks to Egypt virtually free of cost. Russia has been dumping its fighter planes in Malaysia, in India; submarines to Iran. How do you expect third world countries to reduce? And whom do you blame, the buyer or the seller?

HAQ: I think this is really a very central issue of our times. The cold war has been phased out of East-West relations, but not out of the third world. Even today, you have military bases all over. United States total assistance is $20 billion; half of it is military assistance. Even today while advice is being given to developing countries to cut down their military spending -- as they must! -- subsidies are being increased to arms exporters because defence jobs are involved. And I think we have to really come to a new framework where the cold war is also taken out of the developing countries. This will first take a decision on their part. Surely they have no reason to spend two to three times as much on the military as they spend on education and health. Surely the third world governments are to be faulted that they have eight times more soldiers than doctors, and they give air conditioned jeeps to their military generals while they don't even have windowless schools for their children. Those are their priorities which must be set right. But they can't be set right in a world which still insists on continuing the instruments of cold war into the third world by way of military systems, military shipments, subsidies to arms exporters -- all the signals which are wrong. And I think in the next phase we have to consider how this can be done.

LEWIS: You say that aid is still being distributed on the basis of the cold war, and that the basis on which aid is allocated should be changed, it should go to people and not to countries. Could you explain that a little?

HAQ: Well, today the allocation of aid is very definitely to nation states. Take two or three examples which will dramatize it. El Salvador today, with 5 million people, gets more aid than Bangladesh with 120 million people even though in Bangladesh income is one-fifth of El Salvador. Aid is not linked to poverty, it's linked to strategic considerations. That's why in the past twice as much aid was given to high military spenders than to normal military spenders, because they were the alliances.

Now, if aid is to be linked with poverty, then it should be part per person. Take Egypt and India: Egypt, because of strategic importance today, gets $370 part per person, and India gets $4. In fact, the countries which contain the poorest people, the ten countries containing three-quarters of the poorest people get only one-quarter of the aid. So I think we have to redefine the objectives of aid. Previously it was to fight communism. That largely dominated the thinking of many donors. Should it now be to fight poverty? Is poverty as great or a greater threat to the rich nations, to their lifestyles? Because poverty is getting globalized in the form of drugs and pollution and terrorism and instability.

I think we have, Paul, a very major issue here. Whether there has been cooperation, the entire framework world has to be rethought for the next few decades.

LITTLEJOHNS: The programme is World Chronicle, our guest is Mahbub Ul-Haq, Special Advisor to the Administrator of the United Nations Development Programme. Victoria Graham.

GRAHAM: We see you have a Human Development Index in general, and we see that for developed industrialized countries it goes Japan, Canada, Norway and so on. Would you tell us about that index for developing countries?

HAQ: Let me say first that the Index takes three components: life expectancy as reflecting health, literacy and mean years of schooling as reflecting education, and the real income of nations adjusted for purchasing power as reflecting the command over goods and services. And this is the same index for developed countries and developing countries.

Now, in developing countries as you rank it it shows that many countries are not even meeting their basic education needs or basic health needs, and as such they're ranked very low on the Human Development Index. In industrial countries, on the other hand, while they rank high, there are tremendous disparities within nations, and one of the most interesting things that we have done in this report is to disaggregate the Index and reflect various population groups. For example, the United States: it is disaggregated among whites, blacks and Hispanic populations. And if you do that, the white population ranks number one in the world, ahead of Japan and Canada and any other country, whereas the black population ranks only number 31 in the world, behind Trinidad and Tobago. And the Hispanic population ranks number 35 in the world, behind Estonia. And what it shows is that even in a country for which I have

tremendous admiration because there's great mobility, great opportunities, tremendous civil rights movements -- a lot has been done -- yet, even now we stand at a stage where the disparities between whites and blacks are so severe as to persuade some critics to call it two nations within one society.

And this is much worse when we do a similar exercise for developing countries. And that shows that ethnic tensions, that regional disparities, that various income disparities are going to really cause a good deal of havoc in these societies unless we watch out for them. These are red signals that go out once you calculate the Human Development Index for various population groups.

LITTLEJOHNS: Mr. Haq, I'd like to ask you a question in that connection. I notice that Japan is the top of the list in the Development Index, but in mean years of schooling in 1990 the number is 10.7, whereas the United States is 12 point something.

HAQ: Yes.

LITTLEJOHNS: We're always hearing that the Japanese spend so much more time in school than American children, but this seems to contradict that.

HAQ: Well, unfortunately, Michael, we measure only the quantity of education, not its quality. And the question is how far. And many people have commented on it as to the quality of education in America versus Japan or in Britain. And secondly, there is a perception that some of the children stay in longer in American schools because they get health coverage. It is the cheapest health coverage available while you are in school. And whether it remains part of education or it becomes a part of the social system is another moot question.

LITTLEJOHNS: So they're spending more time in school but they're not learning as much.

HAQ: They may not be learning as much, and they may be staying on for different reasons than to get education.

DEEN: Mr. Haq, in your report this year you are urging both donors and recipients to help restructure their foreign aid budgets, but how much leeway do recipient developing countries have considering the fact that the bulk of the foreign aid is conditional aid? They're expected to use the money to buy goods and services and machinery from the donor countries.

HAQ: I think, Thalif, what is wrong with the aid budget is not so much that the procurement is from the rich countries -- their machinery, their consultants -- sometimes this has to be done. I think what is wrong is that objectives, clear objectives are missing at the moment from the aid budgets. What is it for? Previously it was to natural alliances. And it didn't matter whether they were dictatorships or democracies. But in the post-cold war world, with the threat of communism gone, with the cold war over, what is the real objective of aid? And I'll suggest to you that it should be to contain poverty, to alleviate it. Because otherwise it will travel, and it will be a threat to the rich nations. So it's an investment in a new type of human security, where the threat comes from poverty and not from arms. And if we take that view, then three-quarters of the aid should go to countries which contain three-quarters of the poverty, the ten most populous nations that get one-quarter today. If we take that view, then maybe 20-25 per cent of aid should go for human development, investment in people, because they will restructure their own societies. Presently less than seven per cent of aid goes into people, and the rest of it into physical infrastructure -- roads and energy and others -- which is needed, but there's an imbalance. And then the signals should be different. Is aid going to be linked with the debate on human rights? On reduced military spending? On better management? Or is it going to be done only project by project?

So I think these are the critical issues for the next decade, that aid should now be linked to a much broader perspective and new objectives.

LEWIS: So how exactly are you going to reduce poverty? I mean, what sort of moves have to be made to cut poverty?

HAQ: I would suggest two or three very major moves. First, developing countries must take the responsibility themselves. They can't find alibis in the external environment for internal irrationalities. Nobody obliges Pakistan or Ethiopia or Somalia to spend three times more on the military than on education and health; they do it themselves. Nobody obliges countries like Argentina to spend nine per cent of its GNP on losses of public enterprises; they do it themselves. They have to privatize. Nobody obliges countries to irrationally allocate their resources to urban areas rather than to rural areas, to their own poor.

So first it's their own part. And we have suggested that they can restructure their budgets. They only spend 10 per cent of their budgets at the moment for human development, and they should spend at least 20 to 25 per cent. That is their job. And

second is that aid allocations, as I was saying, should be linked to poverty and human development, should be restructured. And third, let us open up the markets. Developing countries are losing ten times more in opportunities in the markets because of trade protectionism, because of importation laws, because of restricted capital movements, than the aid that they get. And for the poor, the best opportunity is to share the market opportunities, not charity, whether domestically or internationally. So I think one will have to have a whole different plan of action linked with people rather than only with the growth of output.

GRAHAM: You mentioned disaggregating certain groups, certain populations. Have you done the same with women and children? Can you tell us within the scope of this report how women and children are faring?

HAQ: Victoria, we have done it for women, but not for children. And when we do it for women there are very disturbing conclusions. You know, no country treats its women better than its men, whether industrial or developing countries -- the Index goes down for all countries. Of course, there are dramatic changes in ranking. Japan is number one on the Human Development Index, but just adjust it for gender disparities and it falls to number 19 in the world. Why? It's not the disparity in education and health -- they're very good in Japan; it's disparity in jobs. Only half as many women are in jobs as men. And then the most crippling disparity, in wages: for equal work, Japanese women get about 51 per cent of the wages of the men. So there are very major disparities built in. And the Index brings it out. The just punishment for society is in their ranking -- they drop dramatically if their disparities are very large.

DEEN: Mr. Haq, you spoke of a link between development assistance and human rights and political governance. This is a very, very sensitive issue with third world countries. But some of them point out that the explosive economic growth in countries like China, Taiwan, Singapore and South Korea was achieved under authoritarian regimes. The concept of western liberal democracy is alien to this part of the world. How do you account for this?

HAQ: Well, Thalif, this debate has been going on for a long time -- whether political freedom and economic growth are inter-linked. And many developing countries with a great flourish like to point out that when rapid economic growth was achieved in the western world, there were no democracies: the industrial revolution in Britain, growth under Nazi Germany, Japanese tremendous growth, Korean great explosion. That may be true. But let me say that, at the same time, economic growth can be blind

to freedom; human development cannot. When we link growth with people, the whole idea is to enlarge their choices. And there is a contradiction in terms. If they do not have a choice even to make a choice, they don't have the freedom to do so. That's why I personally believe that human freedom and human development are inter-linked.

Now, you may be right that some authoritarian governments did accelerate their growth rates, but for every authoritarian government that did so we can cite ten others which messed up their political systems and had economic chaos. So there is no automatic link, and as such, in modern days we should have both freedom and development, because that's what people demand.

LITTLEJOHNS: Mr. Haq, that's all the time we have. Thank you for joining us on this edition of World Chronicle. Our guest has been Mahbub Ul-Haq, Special Advisor to the Administrator of the United Nations Development Programme. He was interviewed here at United Nations Headquarters in New York by Paul Lewis of *The New York Times*, Victoria Graham of The Associated Press, and Thalif Deen of Inter Press Service.

I'm Michael Littlejohns. Thank you for joining us. We invite you to be with us for the next edition of World Chronicle.

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